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FISCAL IMPACT STATEMENT

LS 6790

BILL NUMBER: SB 315

NOTE PREPARED: Jan 4, 2010

BILL AMENDED:

SUBJECT: Various Gaming Matters.

FIRST AUTHOR: Sen. Rogers

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Land-Based Casinos:* The bill permits a licensed owner to submit to the Gaming Commission a plan for the construction of an inland casino. It specifies criteria for evaluating a submitted plan and imposes a \$50,000,000 relocation fee.

Permanently Moored Casinos: The bill permits a licensed owner to convert a riverboat casino into a permanently moored vessel without propulsion or navigation equipment.

French Lick Casino Admissions Tax: The bill reduces the admission tax imposed on the French Lick Casino from \$4 to \$3. It eliminates French Lick admission tax distributions to the Indiana Economic Development Corporation and the West Baden Springs Historic Hotel Preservation and Maintenance Fund. It conforms the percentages distributed to other entities. It also updates provisions referring to the French Lick Casino to conform to recent improvements to the casino.

Racino Slot Machine Wagering Tax: The bill provides that the slot machine wagering tax imposed on racetrack casinos is calculated using taxable receipts, which are calculated excluding amounts paid to support horse racing, for the county slot machine fee, and for the supplemental fee paid to the French Lick Casino. It phases in the exclusion over four years.

Card Tournament/Gaming Event Locations: The bill authorizes a licensed owner or an operating agent to conduct card tournaments or other large gaming events in a hotel or other facility owned or leased by the licensed owner or operating agent.

Alcohol Requirements: The bill eliminates the requirement that a holder of a gaming site permit pay for

complimentary drinks provided at certain events. It also requires the Alcohol and Tobacco Commission to adopt rules allowing gaming site permit holders to engage in certain trade practices and marketing activities.

Other: The bill removes obsolete provisions concerning the original riverboat licensing process and repeals an obsolete definition.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Indiana Gaming Commission (IGC):* The provisions of the bill dealing with relocation of gaming operations from riverboat casinos to inland casinos, conversion of riverboat casinos to permanently moored vessels, and conducting card tournaments and other gaming events outside of casinos will result in additional administrative responsibilities for the IGC. The fiscal impact that might arise from these new responsibilities is indeterminable. However, any additional expenses would be paid from riverboat wagering tax revenue annually appropriated to the IGC for administrative purposes. (Note: Current statute provides that sufficient funds are annually appropriated to the IGC from riverboat wagering tax revenue deposited in the State Gaming Fund to administer the riverboat gambling laws.) In FY 2009, this distribution totaled about \$2.3 M. The 2009-2011 biennial budget bill appropriates \$3.5 M annually in FY 2010 and FY 2011 from the State Gaming Fund to the IGC for administrative purposes.

Explanation of State Revenues: *Summary:* The bill makes a number of changes to state law relating to the riverboat casinos and racinos. The estimated impact on state revenue from changes to the riverboat admissions tax paid by the French Lick Casino and the racino slot machine wagering tax is summarized in the table below. Other provisions of the bill either are expected to have no fiscal impact, or the potential fiscal impact is indeterminable at this time.

| Tax | Recipient | FY 2011 | FY 2012 |
|---------------------------|---|-------------|-------------|
| Slot Machine Wagering Tax | State General Fund | (\$7.3 M) | (\$13.8 M) |
| Riverboat Admissions Tax | Indiana Economic Development Corporation | (\$862,000) | (\$1.15 M) |
| Riverboat Admissions Tax | West Baden Springs Historic Hotel Preservation and Maintenance Fund | (\$448,000) | (\$598,000) |

Background Information: *Land-Based Casinos* - The bill allows a riverboat casino owner to construct, and relocate gaming operations to, an inland casino upon approval of an inland casino plan by the IGC. Under the bill, relocation to an inland casino is limited to locations within: (1) Gary, Hammond, East Chicago, Michigan City, Evansville, Lawrenceburg, and Rising Sun for riverboat casinos currently docked in those cities; (2) Posey Township of Harrison County for the riverboat casino currently docked in that county; and (3) Jefferson Township of Switzerland County for the riverboat casino currently docked in that county.

The bill requires an owner's inland casino plan to include the proposed design of the casino and any related facilities and amenities. The bill also specifies standards by which the IGC must evaluate an inland casino plan. If the plan is approved by the IGC, the owner must pay a \$50 M relocation fee within 90 days after the approval date. The revenue from the relocation fee is to be distributed to the state General Fund. The potential fiscal impact of riverboat casinos around the state relocating to land-based operations is indeterminable and would depend on various factors, including ownership, facility attributes, market factors, capital availability, and the relocation fee. Further, it is indeterminable when a relocation plan may be

approved and a relocation fee paid.

French Lick Casino Admissions Tax - The bill makes the following changes effective in FY 2011: (1) reduces the riverboat admissions tax paid by the French Lick Casino from \$4 per admission to \$3 per admission; (2) eliminates distributions of admissions tax revenue from the French Lick Casino to the Indiana Economic Development Corporation (IEDC) and the West Baden Springs Historic Hotel Preservation and Maintenance Fund; and (3) increases the distribution percentages of the other entities receiving admissions tax revenue from the French Lick Casino.

The reduction in the admissions tax rate for the French Lick Casino is estimated to reduce revenue from the tax by about \$862,000 in FY 2011 and \$1.15 M in FY 2012. (Note: Due to the one-quarter lag between collection and distribution of admissions tax revenue, the rate reduction will affect quarterly revenue distributions for three quarters in FY 2011, with the full-year impact beginning in FY 2012.) The bill would mitigate the revenue impact of the tax rate reduction to most of the recipients of the admission tax revenue by eliminating the distributions to the IEDC and the West Baden Springs Historic Hotel Preservation and Maintenance Fund and adjusting the remaining distributions. The distribution changes and their estimated impacts are summarized in the table below. The revenue loss estimate is based on the December 15, 2009, Revenue Technical Committee forecast.

| Recipient | Admissions Tax Distribution | | Impact | |
|--|-----------------------------|----------------|--------------------|----------------------|
| | Current (\$4) | Proposed (\$3) | FY 2011 | FY 2012 |
| Orange County, Dubois County, Crawford County* | 22% | 29.6% | \$7,000 | \$9,000 |
| Orleans | 5% | 12.6% | \$153,500 | \$205,000 |
| Paoli | 5% | 12.6% | \$153,500 | \$205,000 |
| French Lick, West Baden Springs** | 20% | 27.6% | \$24,000 | \$32,000 |
| Orange County Development Commission | 10% | 17.6% | \$110,000 | \$147,000 |
| West Baden Springs Historic Hotel Preservation and Maintenance Fund | 13% | 0% | (\$448,000) | (\$598,000) |
| Indiana Economic Development Corporation | 25% | 0% | (\$862,000) | (\$1.15 M) |
| TOTAL | 100% | 100% | (\$862,000) | (\$1,150,000) |
| *This distribution is split 54.5% to Orange County and 22.75% each to Dubois County and Crawford County. | | | | |
| **This distribution is split equally between French Lick and West Baden Springs. | | | | |

Current statute requires the IEDC distribution to be used to develop and implement a regional development strategy for Orange County. The West Baden Springs Historic Hotel Preservation and Maintenance Fund is administered by DNR. Current statute authorizes the General Assembly to appropriate interest in the fund to the DNR only to: (1) maintain the parts of the West Baden Springs Hotel that were restored before July 1, 2003; and (2) maintain the grounds surrounding the West Baden Springs Hotel. The fund also receives 19% of the riverboat wagering tax paid by the French Lick Casino. Cash and investment assets in the fund totaled \$16.6 M at the close of FY 2009.

Racino Slot Machine Wagering Tax - The bill reduces the taxable base for the state slot machine wagering

tax beginning in FY 2011, by allowing deductions for the county and supplemental slot machine taxes and the required payments to the horse racing industry. The bill phases in the deduction in roughly equal proportions over four years, with the taxes and required payments described above being fully deductible from the slot machine wagering tax base beginning in FY 2014. It is estimated that the partial deductions in FY 2011 and FY 2012 could reduce revenue from the slot machine wagering tax by \$7.3 M and \$13.8 M, respectively. The revenue loss could grow by an average of about 43% per year during the remainder of the phase-in period from FY 2013 to FY 2014. The revenue loss could grow by 3% to 4% annually beginning in FY 2015. The revenue loss estimate is based on the December 15, 2009, Revenue Technical Committee forecast of adjusted gross receipts from gaming at the state's two racinos in FY 2011.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill: (1) reduces the riverboat admissions tax rate paid by the French Lick Casino from \$4 per admission to \$3 per admission; and (2) makes changes to the distributions of riverboat admissions tax revenue from the French Lick Casino. (See *Explanation of State Revenues* for a summary of local fiscal impacts and background discussion of tax and distribution changes.)

State Agencies Affected: IGC; IEDC; DNR; ATC.

Local Agencies Affected: Recipients of riverboat admissions tax from the French Lick Casino.

Information Sources: Revenue Technical Committee Forecast (December 15, 2009).

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